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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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State Department review completed

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**C** Arab States - Israel: Fighting in Amman has apparently eased off, but the fate of the hostages remains in doubt with Israel's refusal to release any of its captive fedayeen.

At a meeting with Red Cross representative Rochat yesterday, the fedayeen apparently offered to evacuate all women, children, and the sick--including those staying in the Intercontinental Hotel--if the seven commandos being held in the UK, Germany, and Switzerland were taken to Geneva for forwarding to Amman. The four-nation coordinating group meeting in Bern, however, decided that it could not agree to a formula which did not provide for the release of all prisoners simultaneously on a non-discriminatory basis. The Israeli Government, meanwhile, has evidently decided not to release any of the fedayeen it now holds. Rochat has been instructed to tell the Popular Front for the Liberation of Palestine (PFLP) that the seven commandos will not be freed unless all the hostages are released.

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The Soviets have voiced indirect disapproval of the hijackings. Moscow has so far confined itself to reporting only Western and Arab press dispatches ]

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On the subject, including statements by the guerrillas aimed at justifying the seizures; its disapproval has been transmitted not by direct criticism but by frequent references to a comment in the Egyptian newspaper Al Akhbar that "such acts do much damage to the Arabs in the eyes of world public opinion."

A new truce apparently went into effect in Amman yesterday following a meeting between cabinet officials and members of the central committee of the Palestine Liberation Organization. The latest agreement was said to be basically the same as those reached earlier in the week, all of which collapsed within a few hours of their announcement. According to an official statement by Amman radio, both sides agreed to hold further meetings to seek a definitive settlement to the crisis by removing both its causes and its symptoms. Although it is too early to tell whether the latest cease-fire will prove to be any more lasting than its predecessors, fighting seems to have died down following its announcement.

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Cambodia: The overland phase of the government's operation to reach Kompong Thom continues to advance slowly because of the need to make repairs on Route 6. Enemy elements harassed the column ten miles north of Skoun, but were driven off by government counterfire. Cambodian Army officers are expecting heavier attacks as the relief force gets closer to Kompong Thom. The river convoy that arrived at the city yesterday reportedly received an enthusiastic welcome from its hard-pressed inhabitants.

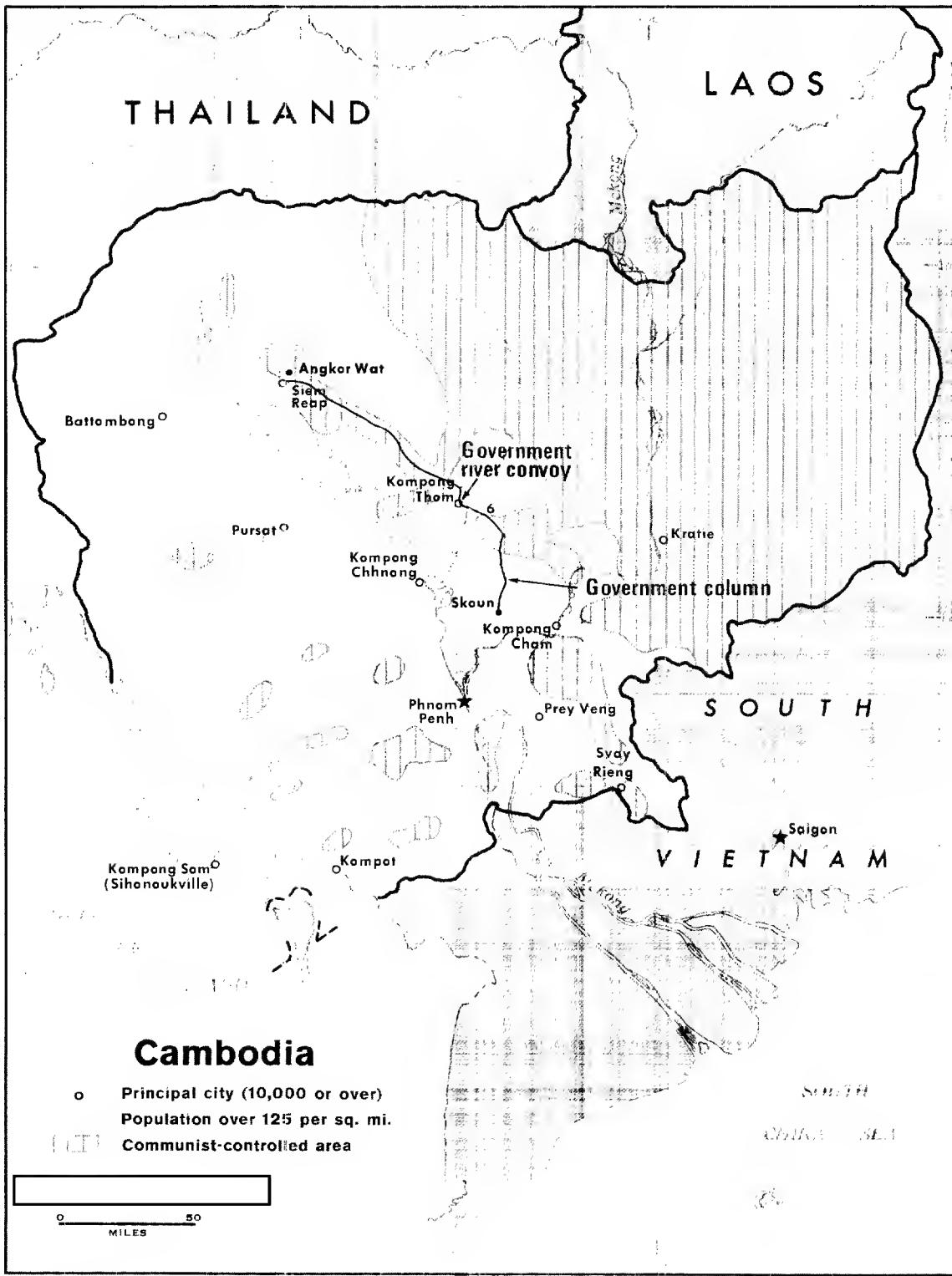
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## Current Situation



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Japan-US: Tokyo sees little prospect of an early resumption of talks on the textile issues.

In response to the US ambassador on 9 September, Trade Minister Miyazawa stated that Japan would not consider renewing the voluntary agreement on limiting cotton textile exports to the US, which expires later this year, until the fate of the Mills legislation restricting imports from Japan becomes known. Miyazawa agreed with the US ambassador that the "emotionalism" that has recently crept into discussions of US-Japanese economic problems must be reduced.

In regard to discussions on synthetic and woolen textile exports, which broke down in June, Miyazawa reportedly believes that the "atmosphere" between Tokyo and Washington is not conducive to reopening talks soon.

Many Japanese officials, particularly in the powerful Trade Ministry, apparently think there is a reasonable chance that the Mills legislation will not pass the US Congress, and therefore there is no need for compromise at this stage. This view has been strengthened by European warnings of retaliatory measures against the US, which the Japanese think have weakened protectionist feeling in the US. Others, however, particularly in the Foreign Office, have argued that the US domestic situation still strongly favors passage of protectionist legislation that could result in a series of damaging retaliatory moves by both sides.

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NATO: The Eurogroup permanent representatives appear to have resolved, at least temporarily, British and German differences over the way in which the Allies could assume a share of the cost of maintaining US forces in Europe.

A draft statement produced by the group earlier this week advocates a two-year burden-sharing arrangement clearly linked to the retention of US combat capability in Europe "at substantially the current levels." The paper does not specify the amount of assistance, but takes the position that the Eurogroup should make an offer by early December to influence US policy decisions.

The Eurogroup defense ministers are expected to endorse the draft statement on 1 October, although it is unlikely that they will agree on an offer at that time. The UK apparently has persuaded the group to take a general position for the present, going on to explore with the US and among themselves a range of possible arrangements. The defense ministers may also discuss in more concrete terms some areas for intra-European defense cooperation such as information exchanges and training cooperation.

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Chile: Salvador Allende's opponents are beginning to pull themselves together to try to prevent him from becoming president.

On Wednesday, former President Jorge Alessandri, the close runner-up in last Friday's election, indicated that he would stay in the presidential race through the congressional vote on 24 October. He reiterated, however, that because he did not win the election, he will not serve another presidential term. He says that even if Congress chooses him, he will resign, and that this would necessitate a new election in which he would not run.

Alessandri's refusal to concede has given new hope to those politicians who share a desire to head off an Allende government. Moderates within the Christian Democratic Party (PDC) are beginning to survey their chance of stopping him. It would take the cooperation of about three-fourths of the PDC's 75 legislators, about a dozen opportunistic Radicals, and Alessandri's congressional backers to defeat Allende. Deep-seated differences and animosities within and among these political groups, plus the chronic lack of party discipline among Christian Democrats, will make the orchestration of this effort difficult.

The rush to embrace Allende by defeated PDC candidate Radomiro Tomic and some of his leftist cronies complicates the problem. Tomic knows that his archrival, President Frei, could run again if Alessandri were to be elected and then resign. He also knows that Frei has great personal popularity. The President, meanwhile, is maintaining his flexibility by publicly taking an above-party attitude.

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**C** Israel: The Israeli tanker Aquarius reportedly sank yesterday in the Gulf of Oman off the southern tip of Iran after a collision with a Soviet cargo vessel bound for Basra. The Aquarius was the largest of nine Israeli ocean-going tankers and represented about 30 percent of the tonnage of the Israeli tanker fleet. It was carrying a full cargo of Iranian crude oil for the Trans-Israeli pipeline at Elat. Loss of the tanker will seriously affect the quantity of oil that Israel can deliver to the pipeline for trans-shipment to the Mediterranean port of Ashkelon.

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Honduras: An unusually large concentration of police in the capital city and the recent movements of key military officers suggest the imminence of a military power play to keep President Lopez in office beyond his constitutional term. A decision to move at this time could stem from concern that student and political opposition to the plot would gain additional momentum.

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Argentina: Government officials fear that a new wave of terrorism may break out in Cordoba Province this month. Several student demonstrations commemorating the 1966 slaying of a student by police have already taken place, and more street disturbances are expected on 12 September, the anniversary of his death. Some labor unions reportedly are also trying to stir up trouble. Student and labor agitation touched off riots in Cordoba during May and June last year and contributed significantly to the erosion of confidence in the Onganía regime.

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Scandinavia-ILO: The trade-union federations of Norway, Denmark, and Sweden are dismayed over the recent decision by the US Senate to end financial support for the ILO. The Norwegian Government plans to express its concern to Washington, but will not make its demarche public unless pressed by labor to do so. The Danes may informally express their concern to US congressmen attending the World Bank - IMF conference in Copenhagen later this month. The

Swedes

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do not plan an official protest but instead will approach other nations for contributions in an attempt to make up the loss in funds. The Scandinavian labor leaders will hold their annual meeting on 22-23 September, at which time they will probably decide how best to concert their efforts on this question.

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Guinea: President Toure has announced the establishment of full diplomatic relations with the German Democratic Republic (GDR) and has urged that Pankow be admitted to the UN. Thus the leftist Toure honors a long-standing commitment and Guinea becomes the fifth African state to establish diplomatic relations with the GDR this year. This is Pankow's first success since it stepped up its efforts to expand diplomatic relations following the signing of the West German - Soviet nonaggression pact. West Germany will probably seek to retain its diplomatic presence in Guinea, but it may reassess its aid program, which since 1960 has totaled over \$22 million.

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Ceylon: Mrs. Bandaranaike

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[redacted] does not favor proposals that Ceylon leave the Commonwealth, noting that there are many advantages in continued membership. In revealing her views on several important issues currently being debated within her government, the prime minister also said she opposes suggestions for nationalizing the large tea estates--many of which are owned by British companies. Finally, in commenting on the new constitution currently being drafted to make Ceylon a republic, Mrs. Bandaranaike expressed opposition to any plans for a strong presidency on the US model--even suggesting that the president be appointed by the prime minister rather than chosen by the legislature or by the general population.

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